

Twenty-Third
ANNUAL
REPORT
to Stockholders

for Fiscal Year ending
June 26, 1948



STOP & SHOP, INC.

BOSTON, MASSACHUSETTS

1888

1888

1888

STOP & SHOP, INC.

Officers

JOSEPH RABINOVITZ	President
SIDNEY R. RABB	Chairman of the Board and Treasurer
JACOB RABINOVITZ	Vice-President
NORMAN S. RABB	Vice-President
IRVING W. RABB	Vice-President
LLOYD D. TARLIN	Assistant Treasurer
MAX E. BERNKOPF	Clerk

Directors

MAX E. BERNKOPF	Boston, Mass.
A. K. COHEN	Boston, Mass.
IRVING W. RABB	Boston, Mass.
NORMAN S. RABB	Boston, Mass.
SIDNEY R. RABB	Boston, Mass.
JACOB RABINOVITZ	Boston, Mass.
JOSEPH RABINOVITZ	Boston, Mass.
LLOYD D. TARLIN	Boston, Mass.
LESTER WATSON	Boston, Mass.

Transfer Agents

THE FIRST NATIONAL BANK
OF BOSTON

Registrars of Stock

THE NATIONAL SHAWMUT BANK
OF BOSTON

To the Stockholders of Stop & Shop, Inc.:

Sales for the year were \$45,879,052, an increase of \$3,349,629, or 7.9%, over the preceding year.

The consolidated net profit of the company was \$645,792 compared to \$757,171. This represents approximately 1.4% of gross sales. The current year's earnings amounted to \$2.76 per share on the 234,000 shares outstanding, compared with \$3.24 last year. In addition, a reserve of \$100,000 has been set aside again this year to be added to our reserve for future inventory devaluation and relocation of plant facilities. This reserve now totals \$200,000.

Four regular quarterly dividends of 15c per share plus one extra dividend of 25c per share — making a total of 85c per share — were paid during the fiscal year.

Estimated Federal Income Taxes for this year amounted to \$534,127, which is equal to \$2.28 per share. Social security, state excise and local taxes amounted to over \$200,000. All these taxes combined were greater than the net earnings of the company.

Last year, we contracted with a trucking company to do substantially all of our hauling, and disposed of our own fleet. Largely because of this, reserves for depreciation were reduced from \$247,474 last year to \$234,451.

The net working capital at the end of the fiscal year was \$3,603,136. This will be increased to over \$4,000,000 when certain real estate developments, now in the process of construction, are finished and permanent financing is completed.

During the year we have closed two of our smaller stores. At the same time we have completely modernized four large stores and have made a series of lesser alterations in a number of other stores, each designed either to improve the physical operation or our competitive position, or both. Amounts expended for structural improvements in the execution of this program will be amortized over the period of the leases involved. The unamortized amount on our books at the end of the year was \$394,168 as compared with \$219,690 last year.

Our real estate subsidiaries are now finishing two new stores which should be open in the early Fall. One, on Memorial Drive, Cambridge, Mass., near the site of our very first self-service super market, will be our largest and finest unit. The other store is in Springfield, Mass.; it will replace, in a superior location, one of our older stores. It is these two projects that are referred to earlier on which the financing is now in process, and when completed a large portion of the funds will be returned to working capital.

Additional store buildings are planned, to be erected by our subsidiaries on sites which have already been acquired. Arrangements have also been made for the leasing of other new stores which lessors will build to our specifications.

After two years of preparation, our affiliate, Bakeries, Inc., is about to begin operations in October. We expect this company to provide our stores with the finest in bakery products. The manufacturing plant for this activity, located at 226 Causeway Street, Boston, has been acquired by one of our subsidiaries and remodelled to conform to the latest requirements in bakery operations. Store facilities for the sale of bakery products are being prepared in many locations.

Increases in all items of operating costs has presented management with a challenge. Higher prices and uncertain markets, particularly on meats, have called for very careful buying and merchandising. The narrow margin of profit in the food industry requires that we improve our efficiency constantly and develop new methods and techniques in order to maintain our level of earnings and keep costs at a minimum. To meet this situation, we have been experimenting and conducting research in a number of directions, particularly with self-service meats and Food-O-Mat installations, which we now have in three stores. We are especially pleased to report that our cooperative marketing research with leading national food manufacturers and other organizations interested in food distribution — in which our marketing research department has pioneered for years — has been a real asset to us as well as to the cooperating manufacturers.

Individual employee earnings have been adjusted upward in keeping with the trend of industry and the increased cost of living, and are today at the highest level in our history. Current payroll costs are running at the rate of \$500,000 per year more than a year ago. We are gratified at the low employee turnover which we have achieved and attribute this, among other factors, to improved employee selection, good, sound personnel practices and liberal employee benefit plans. Employee benefits for the past year cost the company \$128,433. Thus far we have contributed \$292,899 to the employees' retirement plan which has been in force since January 1, 1945.

To our many thousands of customers, Stop & Shop is represented by the men or women in our store whom they see and meet. These store employees make it possible for us to build goodwill with our customers. We are confident that the loyalty and splendid cooperation of all our Stop & Shop folks is advancing us towards our goal: "TO MAKE STOP & SHOP THE BEST PLACE TO WORK and THE BEST PLACE TO TRADE." The management is deeply appreciative of this splendid employee relationship and will continue to strive to deserve it.

Following our practice of recent years, we shall send you soon a copy of our report to our employees. Many stockholders have written that they have enjoyed receiving this employee report which, incidentally, has for the past two years received the Financial World highest merit award as a well-prepared presentation.

Respectfully submitted,

Joseph Rabinovitz

President.

STOP & S

Consolidated Balance S

(Including wholly-owned

Assets

CURRENT ASSETS:

Cash on hand and in banks..... \$1,883,528.05

Accounts Receivable:

Due from trade debtors, including re-
charges to manufacturers, municipal
relief agencies, advances for employ-
ees' retirement funds and sundry
claims less reserve..... \$170,849.55

Due from employees..... 1,287.29 172,136.84

Accrued interest on notes receivable..... 1,000.00

Investments:

Officers' life insurance at cash surrender value 96,851.30

Inventories:

Physical inventories evaluated at average invoice
cost or lower than cost, reflecting market prices,
located in the company's warehouses, in storage,
in stores, in transit and in vendors' premises..... 3,770,233.86

Total Current Assets..... \$5,923,750.05

INVESTMENTS OF S. S. REALTY CO., INC. (wholly- owned affiliate) AND ITS WHOLLY-OWNED AFFILIATES:

In real estate owned in fee simple at cost (See Note 1) 1,085,211.41

INVESTMENTS IN AN AFFILIATED CORPORA- TION (50% owned) at cost (See Note 2):

Capital stock..... \$ 76,000.00

Notes receivable due July 1, 1957 with interest at 3%
per annum..... 100,000.00 176,000.00

FIXED ASSETS (at cost):

Land and buildings, "D" Street Warehouse, South
Boston, Mass. owned in fee simple..... \$ 520,383.83

Other land and buildings..... 22,943.67

Stores equipment, fixtures, etc..... 2,525,751.55

Warehouse and office equipment, fixtures, etc..... 494,222.00

Automobiles and trucks..... 46,012.01

\$3,609,313.06

Less — Reserves for depreciation..... 2,266,355.81 1,342,957.25

DEFERRED CHARGES TO OPERATIONS:

Unexpired insurance policy premiums at unearned
values..... \$ 46,533.26

Rehabilitation costs of store locations, amortized
over the life of each individual lease..... 394,168.02

Construction, maintenance and store supplies..... 71,324.33

Unamortized expense on company Debenture bonds.. 2,083.33

Other deferred expenses..... 5,855.39 519,964.33

\$9,047,883.04

See page seven for notes ref

HOP, INC.*Sheet . . . June 26, 1948*

2 affiliated companies)

*Liabilities***CURRENT LIABILITIES:**

Accounts payable — trade creditors on open account..... \$1,456,815.25

Amortization payments on real estate mortgages of S. S. Realty Co., Inc. and its wholly-owned affiliates (maturing within one year)..... 41,300.00

Advance for construction on store location ... 1,750.00

Accrued Accounts:

Federal income taxes (estimated) \$561,589.63

Commonwealth of Massachusetts excise and local taxes..... 100,563.81

Social security and unemployment insurance — federal and state contributions..... 46,476.77

Other accrued items including pay roll, interest, rent and employee profit sharing and bonuses..... 112,119.45

820,749.66

Total Current Liabilities. \$2,320,614.91

3¼% SINKING FUND DEBENTURE BONDS due January 1, 1961 (See Note 3)..... 1,000,000.00

Purchase money obligations of S. S. Realty Co., Inc. and its wholly-owned affiliates under mortgages on real estate to be amortized by monthly and quarterly payments for various periods not exceeding twenty years from dates of execution..... 172,666.11

RESERVE FOR FUTURE INVENTORY DEVALUATION AND RELOCATION OF PLANT FACILITIES..... 200,000.00

CAPITAL:

Authorized 300,000 shares of \$1.00 par value capital stock of which 240,000 shares are issued and outstanding..... \$ 240,000.00

Less — Par value of 6,000 shares acquired for the treasury..... 6,000.00 \$ 234,000.00

Capital Surplus..... \$1,110,000.00

Less — premium on treasury stock reacquired..... 33,539.22 1,076,460.78

Surplus..... 4,044,141.24 5,354,602.02

\$9,047,883.04

erred to in above statement

STOP & SHOP, INC.

Consolidated Profit and Loss Account

(Including wholly-owned affiliated companies)

	<i>Fiscal Year Ended June 26, 1948</i>	<i>Fiscal Year Ended June 28, 1947</i>	<i>Increase</i>
SALES.....	\$45,879,052.25	\$42,529,423.83	\$3,349,628.42
<i>Less — Cost.....</i>	<i>37,214,835.89</i>	<i>34,343,799.80</i>	<i>2,871,036.09</i>
MERCHANDISING PROFIT.....	\$ 8,664,216.36	\$ 8,185,624.03	\$ 478,592.33
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.....	266,020.50	229,515.77	36,504.73
Net gain from sale of capital assets	484.62	47,038.94 *	46,554.32
GROSS PROFIT.....	\$ 8,930,721.48	\$ 8,462,178.74	\$ 468,542.74
DEDUCT OPERATING EXPENSES:			
Stores selling expenses, warehouse and distribution costs, supervision and administrative expenses	\$ 7,376,942.82	\$ 6,679,663.36	\$ 697,279.46
Depreciation of buildings, equipment, trucks and automobiles...	234,451.57	247,474.73 *	13,023.16
Interest.....	39,406.84	30,297.95	9,108.89
<i>Total.....</i>	<i>\$ 7,650,801.23</i>	<i>\$ 6,957,436.04</i>	<i>\$ 693,365.19</i>
Net profit before federal income taxes	\$ 1,279,920.25	\$ 1,504,742.70 *	*\$ 224,822.45
<i>Deduct — Federal income taxes (estimated).....</i>	<i>534,127.32</i>	<i>647,571.43 *</i>	<i>113,444.11</i>
	\$ 745,792.93	\$ 857,171.27 *\$	111,378.34
<i>Less — Provision for future inventory devaluation and relocation of plant facilities.....</i>	<i>100,000.00</i>	<i>100,000.00</i>	<i>—</i>
NET PROFIT TO SURPLUS.....	\$ 645,792.93	\$ 757,171.27 *\$	111,378.34
			* Decrease

Consolidated Surplus Account

Fiscal Year ended June 26, 1948

BALANCE, June 28, 1947.....	\$3,597,248.31
Add — Net profit for the fiscal year ended June 26, 1948	645,792.93
	\$4,243,041.24
Deduct:	
Cash dividends paid — \$.85 a share on 240,000 shares outstanding.....	\$204,000.00
Less — Dividends on capital shares held in treasury.....	5,100.00
	198,900.00
BALANCE, June 26, 1948.....	\$4,044,141.24

STOP & SHOP, INC.

Notes Relating to Financial Statements

June 26, 1948

NOTE 1.	Cost of land and buildings of various acquired locations....	\$2,016,075.09
	Less — Accrued depreciation of buildings.....	75,896.32
		<u>\$1,940,178.77</u>
	Deduct — Mortgages on this property for money advanced for construction (these mortgages are not assumed by either the parent or its affiliated companies).....	854,967.36
	Balance representing the companies' equity subject to mortgages in the aggregate sum of \$213,966.11 shown as a liability in the Balance Sheet.....	<u>\$1,085,211.41</u>

NOTE 2.	The authorized capital stock of this corporation consists of 1,250 shares of 3% cumulative Preferred with a par value of \$100.00 which is redeemable at par and has no voting power, 750 shares of which have been issued to Stop & Shop, Inc. for cash at par.....	\$ 75,000.00
	and 5,000 shares of Common with no par value, having sole voting power, 200 shares of which have been issued for \$2,000.00 of which 100 shares were issued to Stop & Shop, Inc. for.....	1,000.00
	Total Cost.....	<u>\$ 76,000.00</u>
	This company on June 26, 1948 had an operating deficit of..	<u>\$ 50,320.19</u>

NOTE 3. The Indenture with respect to the 3¼% Sinking Fund Coupon Debentures due January 1, 1961 prescribes the redemption of these Debentures through the operation of a Sinking Fund created by the payment in cash of a sum sufficient to redeem \$100,000.00 in principal amount of the Debentures including unpaid interest on or before December 31, 1951 and a similar amount on or before December 31st of each year thereafter to and including December 31, 1959.

The Indenture also prescribes that the Company will not at any time pay dividends on its capital stock or purchase, redeem or otherwise retire any shares of its capital stock unless paid out of the consolidated earned surplus, in excess of \$2,000,000.00 on June 30, 1945 plus consolidated net earnings subsequent thereto and plus any cash proceeds derived from the sale of the company's capital stock (exclusive of that portion of the net proceeds used to purchase, redeem or otherwise retire any of its shares of capital stock) and unless the provisions with respect to Sinking Fund have been complied with and any cash payments made thereto or therefor shall have first been deducted from the accumulated earnings and proceeds from sale of capital shares as aforesaid. At June 26, 1948 approximately \$1,927,894.00 of the Earned Surplus was free of dividend restrictions.

Effective January 1, 1948 the Indenture was amended permitting more favorable restrictive terms to the Company and, due to firmer money rates then prevailing, the interest rate was raised from 3% to 3¼%.

Accountants' Certificate

We have made an examination of the books and accounts of Stop & Shop, Inc. including its wholly-owned affiliate, S. S. Realty Co., Inc., and the wholly-owned affiliates of the latter for the fiscal year ended June 26, 1948. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion, by reason of our familiarity with the controls and accounting records of the companies, that those items not verified in this way are correctly stated.

In our opinion, based upon such examination, the attached financial statements and their relative notes attached hereto fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at June 26, 1948 and earnings for the fiscal year ended with that date.

MYRON HELLER & COMPANY
Certified Public Accountants

By: MYRON HELLER, C.P.A.

Boston, Massachusetts
August 16, 1948



